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MEMORANDUM FOR: Deputy Director (Administration)
THRU : General Counsel

FROM : Comptroller

SUBJECT : Advances ~~of~~ Payments to Employees for Personal Expenditures

I. PROBLEM:

The establishment of an Agency policy ~~res~~pecting the extent ^{that} to which, and the method (s) by which CIA may extend special financial assistance to its employees in the form of loans or advances to meet personal expenses, and by payment of hardship claims of a personal or quasi personal character.

II. FACTS BEARING ON THE PROBLEM:

There have been repeated and persistent requests on the part of individual employees and supervisory officials that the Agency deviate from normal government practice by making advances or loans of official funds to employees, and also that the Agency reimburse employees for certain types of expenses of a personal or quasi personal nature, such as emergency ~~and~~ transportation, ^{and} medical expenses of their families, or claims of a similar character. [Taken individually] Such requests sometimes appear to be justified on the basis of ^{operational} ~~practical~~ or compassionate grounds. However, there [appears to be] ^{as} no legal basis or precedent for using government funds to make personal loans, or to grant payments on ~~the~~ compassionate grounds.

III. DISCUSSION:

a. It is [already] a well-recognized concept in the Agency that whenever an individual employee is forced to incur extraordinary expenses by

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virtue of some special operational demand placed upon ^{him} by the Agency, he is entitled to an advance of funds to cover such expenses and/or for reimbursement from the Agency for the amount of extraordinary expenses so incurred. However, where the expenses incurred by the employee are of [such] a character [that they are] commonly incurred by employees of other government agencies and considered as personal expenses, there appears to be no ^{authority} [legal basis] for reimbursing [for] such expenses and the employee ^{has} [appears to have] no legal "right" to such reimbursement. Therefore, any payments made of such expenses must be based purely upon compassionate grounds.

The above stated principle is discussed in greater detail in General Counsel's memorandum to the Acting Deputy Director (Administration) dated 7 July 1952, attached hereto as Tab I.]

b. Although the Agency may not ^{legally} use official funds for making personal loans the Agency does have a legitimate interest and concern with respect to providing financial facilities for its employees. The CIA Credit Union has been established for this purpose and insofar as departmental employees are concerned, it is ~~not~~ possible to make personal loans to any employee where there is reasonable expectation ^{that} the employee ^{will not} ~~may~~ repay the amount borrowed. This facility has not as yet been extended to overseas stations where it is felt that the need is ~~most~~ urgent. There is attached hereto as Tab II, a proposed procedure providing for the extension of this facility to overseas stations and activities.

c. Notwithstanding the fact that ~~the~~ Credit Union loans can be made to all employees wherever there is a reasonable basis to expect that ~~no~~ payment can be made, there is still the problem of the claims for emergency medical care and ^{personal} [special] hardship claims. It appears, however, that these types of claims fall strictly within the class of welfare cases or grants

It has been held frequently that the use of unmoderated funds for unauthorized personal needs resulting from emergency or unfortunate personal circumstances is a clear violation

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in aid and must be handled on compassionate grounds. In order to handle such claims on these grounds there must be a determination as to whether or not official funds can be used for such purposes and *if* so, the extent to which they can be used for these purposes; or the Agency must set up a welfare association, *and* provide some means of obtaining income for such association and use such income for the purpose of granting relief or assistance to employees *[on compassionate grounds]* *in straitened financial circumstances*.

IV. SUMMARY RECOMMENDATIONS:

a. To establish a firm and unequivocal ~~policy~~ *policy* that official funds shall not be used for personal loans or advances or for the payment of compassionate claims.

b. To extend CIA Credit Union facilities to meet the needs of CIA employees abroad for personal financing facilities.

c. To conduct a *further* study and secure positive recommendations concerning the establishment and operation of ^a CIA welfare *association*.

E. R. SAUNDERS
Comptroller

Attachments
Tabs I and II

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TRANSMITTAL S	
7/29/52 (Date)	
TO	
BU	ROOM NO.
REMARKS: We are under considerable pressure to complete a staff study on this subject. Will you kindly review this rough draft and change as you see fit, and return to me.	
FROM:	
BUILDING	ROOM NO.
FORM NO. 36-8 SEP 1946	

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ORIGINAL DOCUMENT MISSING PAGE(S):

ATTACHMENTS